



State of Wisconsin
2013 - 2014 LEGISLATURE



LRB-1097/2
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2013 ASSEMBLY BILL 36

February 19, 2013 – Introduced by JOINT LEGISLATIVE AUDIT COMMITTEE. Referred to Joint Legislative Audit Committee.

1 **AN ACT** *to repeal* 13.53 (2) (d), 13.94 (1) (a), 13.94 (1) (d), 13.94 (1) (f), 13.94 (1)
2 (g), 13.94(1) (k), 13.94 (1) (mm), 13.94 (1) (n), 13.94 (1) (q), 13.94 (8) (d) 3., 49.19
3 (11m) (e), 49.67 (7m), 101.973 (11), 115.52 (7), 115.525 (7), 118.153 (6), 119.23
4 (7) (e) 2. and 229.8273 (6); **to renumber and amend** 119.23 (7) (e) 1.; **to amend**
5 13.94 (1) (b), 13.94 (1) (br) 1., 13.94 (1) (br) 2., 13.94 (1) (c), 13.94 (1) (dg), 13.94
6 (1) (dm), 13.94 (1) (eg), 13.94 (1) (em), 13.94 (1) (L), 13.94 (1s) (a), 13.94 (1s) (b),
7 13.94 (1s) (bm), 18.10 (11), 39.15 (2), 39.46 (1), 119.23 (6m) (b) 3. d., 120.135 (4)
8 (a) and 565.37 (1); and **to create** 13.94 (1) (br) 3., 13.94 (1) (t), 13.94 (1s) (c) 7.,
9 13.94 (1s) (c) 8. and 71.78 (4) (s) of the statutes; **relating to:** the authority and
10 responsibilities of the Legislative Audit Bureau and state auditor, eliminating
11 certain expired audit requirements, and requiring confidentiality during

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- 1 investigations of reports made to the state fraud, waste, and mismanagement
2 hotline.
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Analysis by the Legislative Reference Bureau

Under current law, the Legislative Audit Bureau (LAB), headed by the state auditor, is responsible for auditing state agencies and certain other entities. LAB conducts various kinds of financial audits and also conducts performance evaluation audits to determine, among other things, whether a given program is yielding intended results. This bill makes a number of changes to the laws governing LAB, including the following:

1. Under current law, LAB is required to perform a financial audit of the records of each state agency and authority at least once every five years and a financial audit of the records of other public and quasi-public entities, including any entity that receives more than 50 percent of its annual budget from the state, at the state auditor's discretion or when LAB is so directed. The bill eliminates that five-year timeline and requires LAB to perform all of those audits at the state auditor's discretion or as the Joint Legislative Audit Committee (JLAC) directs.

2. Current law also requires LAB to perform, among other audits, (a) an annual financial audit of the State Fair Park Board and certain private entities with which that board may contract; (b) an annual financial audit of certain Department of Health Services grants; (c) a biennial financial audit of the central accounting records of the Department of Administration (DOA); (d) a biennial financial audit of the Medical College of Wisconsin's expenditures of state moneys; (e) a biennial financial audit of the Higher Education Aids Board's contract for dental education; (f) a biennial performance evaluation audit of the Division of Gaming in DOA; and (g) a biennial performance evaluation audit of the state lottery.

The bill requires LAB to perform all of those audits at the discretion of the state auditor or as JLAC directs, not on an annual or biennial basis. The bill also adds an annual financial audit of the University of Wisconsin System.

3. The bill eliminates a number of LAB audits under current law, including (a) an annual financial audit of the Division of Gaming; (b) a biennial financial audit of cash on hand and securities deposited in the state treasury or otherwise accounted for by the secretary of administration; (c) a biennial financial audit of DOA's books compared to moneys in the vaults of the state treasury or other state depositories; (d) a financial audit of moneys transferred from a school district's capital improvement fund; (e) unspecified audits to be performed at the direction of the Government Accountability Board; and (f) several one-time performance evaluation and financial audits that have expired or been completed.

4. Current law requires LAB to monitor state agencies' purchases and report to JLAC at least once every five years concerning the extent to which agency purchases were of materials, supplies, or equipment manufactured outside of the United States. The bill replaces that five-year reporting requirement with the

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requirement that LAB make such a report to JLAC at the state auditor's discretion or as JLAC directs.

5. Current law requires LAB to maintain a toll-free hotline to receive reports of fraud, waste, and mismanagement in state government. LAB must relay those reports to an LAB employee or an appropriate state agency for investigation. LAB's records concerning the identity of a person who makes a report to the hotline are confidential. Under the bill, LAB must also keep such a report and investigation, including any information arising from the investigation, confidential while the investigation is pending, except as necessary to conduct the investigation.

6. Finally, under current law, certain officials and state agencies may have access to Wisconsin taxpayers' tax records maintained by the Department of Revenue. The bill authorizes LAB and its employees to have access to those tax records to the extent necessary to carry out LAB's duties under the law.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

- 1 **SECTION 1.** 13.53 (2) (d) of the statutes is repealed.
- 2 **SECTION 2.** 13.94 (1) (a) of the statutes is repealed.
- 3 **SECTION 3.** 13.94 (1) (b) of the statutes is amended to read:
- 4 13.94 (1) (b) ~~Audit~~ At the state auditor's discretion or as the joint legislative
- 5 audit committee directs, audit the records of every state ~~each~~ department, board,
- 6 commission, independent agency or authority at least once each 5 years and audit
- 7 the records of other departments as defined in sub. (4) when the state auditor deems
- 8 it advisable or when he or she is so directed and, in conjunction therewith, reconcile
- 9 the records of the department audited with those of the department of
- 10 administration. Audits of the records of a county, city, village, town, or school district
- 11 may be performed only as provided in par. (m). ~~Within 30 days after~~ After completion
- 12 of any such audit under this paragraph, the bureau shall file with the chief clerk of
- 13 each house of the legislature, the governor, the department of administration, the
- 14 legislative reference bureau, the joint committee on finance, the legislative fiscal

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1 bureau, and the department audited, a detailed report ~~thereof~~ of the audit, including
2 its the bureau's recommendations for improvement and efficiency and including
3 specific instances, if any, of illegal or improper expenditures. The chief clerks shall
4 distribute the report to the joint legislative audit committee, the appropriate
5 standing committees of the legislature, and the joint committee on legislative
6 organization.

7 **SECTION 4.** 13.94 (1) (br) 1. of the statutes is amended to read:

8 13.94 (1) (br) 1. Maintain a toll-free telephone number with voice mail at the
9 bureau's office to receive reports of fraud, waste, and mismanagement in state
10 government. Except as provided in subd. 2., the bureau shall relay these reports to
11 the appropriate bureau employee for investigation. If the bureau has a bureau
12 employee investigate the report, the employee may, subject to subd. 3., consult with
13 any state department, ~~board, commission, or independent agency~~ for any purpose
14 related to the investigation. The bureau shall publicize the toll-free telephone
15 number on the bureau's Web Internet site. The bureau shall maintain records that
16 permit the release of information provided by informants while protecting the
17 identity of the informant. Any records maintained by the bureau that relate to the
18 identity of informants shall be only for the confidential use of the bureau in the
19 administration of this section, unless the informant expressly agrees to release the
20 records. Appearance in court as a witness shall not be considered consent by an
21 informant to release confidential records maintained by the bureau.

22 **SECTION 5.** 13.94 (1) (br) 2. of the statutes is amended to read:

23 13.94 (1) (br) 2. In lieu of requiring a bureau employee to conduct an
24 investigation of a report received under subd. 1., the bureau may refer a report to a
25 state department, ~~board, commission, or independent agency~~ for investigation. The

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1 state department, ~~board, commission, or independent agency~~ shall conduct the
2 investigation and deliver the results of the investigation to the bureau in a timely
3 manner.

4 **SECTION 6.** 13.94 (1) (br) 3. of the statutes is created to read:

5 13.94 (1) (br) 3. The bureau shall at all times before an investigation of a report
6 received under subd. 1. is completed keep confidential the report and investigation
7 and any information arising from the investigation, except as necessary to conduct
8 the investigation.

9 **SECTION 7.** 13.94 (1) (c) of the statutes is amended to read:

10 13.94 (1) (c) ~~Audit~~ At the state auditor's discretion or as the joint legislative
11 audit committee directs, audit the central accounting records of the department of
12 administration ~~at least once every 2 years~~. A detailed report of such audit shall be
13 filed as provided by par. (b), and copies shall be provided to each member or
14 member-elect of the legislature and shall be available in limited number to the
15 public. The bureau shall also prepare a summary of such audit report, for
16 distribution in the same manner as the Wisconsin Blue Book under s. 35.84.

17 **SECTION 8.** 13.94 (1) (d) of the statutes is repealed.

18 **SECTION 9.** 13.94 (1) (dg) of the statutes is amended to read:

19 13.94 (1) (dg) ~~Annually, by October 1~~ At the state auditor's discretion or as the
20 joint legislative audit committee directs, perform a financial audit of expenditures
21 made under the grants for dental services under s. 250.10.

22 **SECTION 10.** 13.94 (1) (dm) of the statutes is amended to read:

23 13.94 (1) (dm) ~~Annually~~ At the state auditor's discretion or as the joint
24 legislative audit committee directs, perform a financial audit of the state fair park

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1 board and of any private corporation with which the board contracts under s. 42.01
2 (4) (b).

3 **SECTION 11.** 13.94 (1) (eg) of the statutes is amended to read:

4 13.94 (1) (eg) ~~Annually conduct a financial audit of the division of gaming in~~
5 ~~the department of administration and biennially~~ At the state auditor's discretion or
6 as the joint legislative audit committee directs, conduct a performance evaluation
7 audit of the division of gaming in the department of administration. The legislative
8 audit bureau shall file a copy of each audit report under this paragraph with the
9 department of justice and with the distributees specified in par. (b).

10 **SECTION 12.** 13.94 (1) (em) of the statutes is amended to read:

11 13.94 (1) (em) Annually conduct a financial audit of the state lottery, and, to
12 the extent of the department of revenue's participation, of any multijurisdictional
13 lotteries in which the state participates under ch. 565, and ~~biennially~~ at the state
14 auditor's discretion or as the joint legislative audit committee directs, conduct a
15 performance audit of the state lottery and, to the extent of the department of
16 revenue's participation, of those multijurisdictional lotteries, as provided in s. 565.37
17 (1). The legislative audit bureau shall file a copy of each audit report under this
18 paragraph with the department of justice and with the distributees specified in par.
19 (b).

20 **SECTION 13.** 13.94 (1) (f) of the statutes is repealed.

21 **SECTION 14.** 13.94 (1) (g) of the statutes is repealed.

22 **SECTION 15.** 13.94(1) (k) of the statutes is repealed.

23 **SECTION 16.** 13.94 (1) (L) of the statutes is amended to read:

24 13.94 (1) (L) Monitor and review purchases and purchasing procedures of state
25 departments, ~~boards, commissions and independent agencies,~~ and, at the state

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1 auditor's discretion or as the joint legislative audit committee directs, report to the
2 joint legislative audit committee ~~at least once every 5 years~~ concerning the extent to
3 which state departments, boards, commissions and independent agencies purchased
4 purchase materials, supplies, or equipment manufactured outside of the United
5 States ~~since the date of the preceding report~~.

6 **SECTION 17.** 13.94 (1) (mm) of the statutes is repealed.

7 **SECTION 18.** 13.94 (1) (n) of the statutes is repealed.

8 **SECTION 19.** 13.94 (1) (q) of the statutes is repealed.

9 **SECTION 20.** 13.94 (1) (t) of the statutes is created to read:

10 13.94 (1) (t) Annually conduct a financial audit of the University of Wisconsin
11 System. The legislative audit bureau shall file a copy of each audit report under this
12 paragraph with the distributees specified in par. (b).

13 **SECTION 21.** 13.94 (1s) (a) of the statutes is amended to read:

14 13.94 (1s) (a) Except as otherwise provided in par. (c), the legislative audit
15 bureau may charge any department for the reasonable cost of auditing services
16 ~~which are performed at the request of a department or at the request of the federal~~
17 ~~government which~~ that the bureau is not required to perform under sub. (1) (a) ~~to (d)~~
18 ~~(b) or (k) (c)~~ or any other law. This paragraph does not apply to counties, cities,
19 villages, towns, or school districts.

20 **SECTION 22.** 13.94 (1s) (b) of the statutes is amended to read:

21 13.94 (1s) (b) The legislative audit bureau may charge the department of
22 revenue for the reasonable costs of ~~the audits required to be~~ an audit performed
23 under sub. (1) (em) and for verification of the odds of winning a lottery game under
24 s. 565.37 (5).

25 **SECTION 23.** 13.94 (1s) (bm) of the statutes is amended to read:

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1 13.94 (1s) (bm) The legislative audit bureau may charge the department of
2 administration for the cost of ~~the audits required to be~~ an audit performed under sub.
3 (1) (eg).

4 **SECTION 24.** 13.94 (1s) (c) 7. of the statutes is created to read:

5 13.94 (1s) (c) 7. The state fair park board for the cost of an audit performed
6 under sub. (1) (dm).

7 **SECTION 25.** 13.94 (1s) (c) 8. of the statutes is created to read:

8 13.94 (1s) (c) 8. The University of Wisconsin System for the cost of an audit
9 performed under sub. (1) (t).

10 **SECTION 26.** 13.94 (8) (d) 3. of the statutes is repealed.

11 **SECTION 27.** 18.10 (11) of the statutes is amended to read:

12 18.10 (11) CANCELLATION OF INSTRUMENTS. Unless otherwise directed by the
13 commission, every evidence of indebtedness and interest coupon paid or otherwise
14 retired shall ~~forthwith~~ be marked “canceled” and shall be ~~delivered~~ destroyed by the
15 department of administration or destroyed by a fiscal agent accepting the surrender
16 ~~thereof, through the department to the state auditor~~ appointed under sub. (8) who
17 shall ~~destroy them and shall forthwith deliver~~ certify that destruction to the
18 department a ~~certificate to that effect~~ of administration.

19 **SECTION 28.** 39.15 (2) of the statutes is amended to read:

20 39.15 (2) ~~The~~ At the state auditor’s discretion or as the joint legislative audit
21 committee directs, the legislative audit bureau shall biennially postaudit
22 expenditures under s. 20.250 so as to assure the propriety of expenditures and
23 compliance with legislative intent. State affirmative action policies, rules, and
24 practices shall be applied to the Medical College of Wisconsin, Inc., consistent with
25 their application to state agencies.

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1 **SECTION 29.** 39.46 (1) of the statutes is amended to read:

2 39.46 (1) On or before July 1 of each year, the board shall initiate, investigate,
3 and formulate for procurement, a contract for dental education services in
4 accordance with this section. Thereafter, the board shall conduct a biennial analysis
5 of the program and include a report on its findings and recommendations in its
6 reports under s. 15.04 (1) (d). The At the state auditor's discretion or as the joint
7 legislative audit committee directs, the legislative audit bureau shall biennially
8 postaudit expenditures under this section. Section 16.75 (1) to (5) are waived with
9 respect to such contract.

10 **SECTION 30.** 49.19 (11m) (e) of the statutes is repealed.

11 **SECTION 31.** 49.67 (7m) of the statutes is repealed.

12 **SECTION 32.** 71.78 (4) (s) of the statutes is created to read:

13 71.78 (4) (s) The state auditor and the employees of the legislative audit bureau
14 to the extent necessary for the bureau to carry out its duties under s. 13.94.

15 **SECTION 33.** 101.973 (11) of the statutes is repealed.

16 **SECTION 34.** 115.52 (7) of the statutes is repealed.

17 **SECTION 35.** 115.525 (7) of the statutes is repealed.

18 **SECTION 36.** 118.153 (6) of the statutes is repealed.

19 **SECTION 37.** 119.23 (6m) (b) 3. d. of the statutes is amended to read:

20 119.23 (6m) (b) 3. d. To the extent permitted under 20 USC 1232g and 43 CFR
21 part 99, pupil scores on all standardized tests administered under sub. (7) (e) ~~1~~.

22 **SECTION 38.** 119.23 (7) (e) 1. of the statutes is renumbered 119.23 (7) (e) and
23 amended to read:

24 119.23 (7) (e) In the 2009–10 school year, each private school participating in
25 the program under this section shall administer a nationally normed standardized

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1 test in reading, mathematics, and science to pupils attending the school under the
2 program in the 4th, 8th, and 10th grades. Beginning in the 2010–11 school year and
3 annually thereafter, each private school participating in the program under this
4 section shall administer the examinations required under s. 118.30 (1s) to pupils
5 attending the school under the program. The private school may administer
6 additional standardized tests to such pupils. ~~Beginning in 2006 and annually~~
7 ~~thereafter until 2011, the private school shall provide the scores of all standardized~~
8 ~~tests and examinations that it administers under this subdivision to the School~~
9 ~~Choice Demonstration Project.~~

10 **SECTION 39.** 119.23 (7) (e) 2. of the statutes is repealed.

11 **SECTION 40.** 120.135 (4) (a) of the statutes is amended to read:

12 120.135 (4) (a) Money in the capital improvement fund may not be used for any
13 purpose or be transferred to any other fund without the approval of a majority of the
14 electors of the school district voting on the question at a referendum. ~~If a referendum~~
15 ~~is adopted authorizing the use of moneys in the fund, the legislative audit bureau~~
16 ~~shall conduct an audit to determine whether the moneys have been used only for the~~
17 ~~purposes specified in sub. (1).~~

18 **SECTION 41.** 229.8273 (6) of the statutes is repealed.

19 **SECTION 42.** 565.37 (1) of the statutes is amended to read:

20 565.37 (1) FINANCIAL AND PERFORMANCE AUDITS. The department shall annually
21 contract with the legislative audit bureau to conduct a financial audit of the
22 transactions and accounts of the state lottery, and, to the extent of the department's
23 participation, of any multijurisdictional lotteries in which the state participates, for
24 the preceding fiscal year and shall biennially, if the state auditor or the joint
25 legislative audit committee directs that a performance audit be conducted, contract

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1 with the legislative audit bureau for a performance audit of the state lottery and, to
2 the extent of the department's participation, of those multijurisdictional lotteries.

3 (END)